

Message Text

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ACTION AID-05

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FM AMEMBASSY KIGALI

TO SECSTATE WASHDC 3390

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ALSO FOR OPIN - HENDERSON

ALSO FOR AID/AFR/CWA

E.O. 11652: N/A

TAGS: EINV

SUBJECT: RWANDAN TEA INVESTMENT

1. BEGIN SUMMARY: GOR AND WERTHEIM NEGOTIATIONS FOR
CYOHOHA-RUKERI TEA FACTORY CONCLUDED SUCCESSFULLY. AGREEMENT
FACILITATED BY RECENT IMPROVEMENT US-RWANDAN RELATIONS. EMB
URGES IFC CONSIDERATION OF PROJECT BE ACCELERATED.
END SUMMARY

2. THE NEGOTIATIONS. WERTHEIM AND GOR WITH SUPORT
EMBASSY AND OPIC (PARNELL) DEVOTED WEEK FEB 17 TO
INTENSIVE AND ULTIMATELY SUCCESSFUL NEGOTIATIONS ON
CYOHOHA-RUKERI TEA FACTORY PROPOSAL. SESSIONS WERE
INFORMAL BUT PROFESSIONAL WITH EVIDENT GOOD WILL AND
BEST EFFORTS EXPENDED BY ALL INVOLVED. NEGOTIATIONS
WERE ON VERGE COLLAPSE SEVERAL TIMES BECAUSE OF GOR LAW
THAT EXPAT PERSONNEL MUST BE SUBJECT INCOME TAXES. LONG
WEEKEND SESSIONS WITH PERSONAL PARTICIPATION MINISTER
FINANCE AND AMB FINALLY BROKE DEADLOCK WHEN OCIR/T
VOLUNTEERED PAY SUCH TAXES FROM ITS OWN ACCOUNT. PROJECT
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THUS SIGNED MORNING FEB 24. TAX SOLUTION CONDITIONAL

ON APPROVAL OCIR BOARD DIRECTORS WHICH EXPECTED IN ABOUT TWO WEEKS.

3. CONTEXT. WERTHEIM, PARNELL (OPIC) AND EMB IMPRESSED THROUGHOUT BY PRIORITY INTEREST SHOWN BY HIGHEST LEVELS GOR. THERE WAS FULL GOR RECOGNITION THAT THIS FIRST PRIVATE AMERICAN INVESTMENT IN RWANDA WAS OF SYMBOLIC AS WELL AS ECONOMIC IMPORTANCE AND ITS SUCCESS MUST BE ASSURED TO ATTRACT OTHER FOREIGN INVESTMENTS. ALTHOUGH TOTAL PROJECT OF ABOUT \$1.5 MILLION IS SMALL BY INTERNATIONAL TERMS, IT REPRESENTS EQUIVALENT OF ABOUT 40 PERCENT OF RWANDA'S \$3.7 MILLION FY 75 DEVELOPMENT BUDGET.

4. AMB INFORMED PRIVATELY DURING NEGOTIATIONS THAT PRESIDENT HABYARIMANA HAD INSTRUCTED GOR OFFICIALS TO REACH AGREEMENT SINCE PROJECT GREATLY NEEDED AND GOR MUST BEAR IN MIND ITS "GOOD RELATIONS WITH THE US."

5. COPY AGREEMENT BEING POUCHED AF/C PYLE.

6. COMMENT:

A. US-RWANDAN RELATIONS. THIS FIRST PRIVATE AMERICAN INVESTMENT IN RWANDA IS ANOTHER SUCCESSFUL INITIATIVE FOLLOWING OUR RECENT AID AND PC ACCORDS. ALTHOUGH THE DISCUSSIONS MIGHT HAVE SUCCEEDED IN ANY EVENT, THERE IS NOT DOUBT THAT THE RECENT IMPROVEMENT IN US-RWANDAN RELATIONS WAS A MAJOR CONTRIBUTING FACTOR TO THE CLIMATE IN WHICH NEGOTIATIONS WERE HELD.

B. IMPATIENCE. AS IN OTHER MATTERS, GOR IMPATIENCE FOR DEVELOPMENT WHICH FACILITATES AGREEMENT ALSO POSES DANGER OF POLITICALLY SOURING THE CLIMATE IF IMPLEMENTATION DELAYED. I AM THUS CONCERNED AT WHAT I UNDERSTAND MAY BE IFC PACE IN CONSIDERING ITS ROLE AND URGE IFC PRIORITY BE ACCELERATED. IT SHOULD, FOR EXAMPLE, BE UNDERSTOOD THAT GREEN LEAF TEA ALREADY IN PRODUCTION FROM SOME 85 CYOHOHA HECTARES IS BEING BURNED BECAUSE OF UNECONOMIC TRANSPORT COST TO NEAREST FACTORY AT MULINDI. NO RESPONSIBLE GOVERNMENT CAN ACCEPT SUCH A SITUATION OVER A LONG PERIOD AND IT IS THUS IMPORTANT THAT DELAYS LIMITED OFFICIAL USE

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BE AVOIDED IN ORDER THAT PROJECT DOES NOT RUN RISK OF BECOMING A SCAPEGOAT. FRITTS

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